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United Kingdom

Fresh Deciduous Fruit

Annual

2001

Approved by:
Peter Kurz
U.S. Embassy, London
Prepared by:
Phil Bicknell

Report Highlights:
UK apple production is forecast to increase this year, following a significant improvement in growing conditions when compared to the MY 2000 crop. Imports of U.S. apples into the UK increased by 4 percent year on year, and the U.S. remains the UK's fourth largest supplier of apples. U.S. pears continue to be imported in the UK, but only in small volumes to supply the specialty variety pear market.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
London [UK1], UK

Executive Summary

Growing conditions for apples in the UK during the 2001 growing season are much improved compared to last year. The poor conditions meant that production in MY 2000 fell to 162,200 MT. Crop quality is expected to be much improved and increased yields mean that the MY 2001 crop is provisionally forecast at 178,500 MT. Excellent crop quality is also likely for UK pears, although crops are expected to be lighter than last year. Total production is forecast to fall to 28,500 MT.

The United States continues to be the fourth largest supplier of apples to the UK market. Imports in MY 2000 totaled 29,182 MT. Over 175,000 MT of apples were imported from France in MY 2000. South Africa and New Zealand are the other main suppliers. Significant price differentials do occur between varieties and U.S. apples continue to command a price premium relative to domestic and other imported varieties. A relatively small volume of U.S. pears are sold in the UK, with main supplies sourced from the Netherlands, South Africa, Belgium and Italy.

UK Government statistics indicate that overall fruit consumption is increasing in the short to medium term. Innovations in packing variants and the addition of new varieties mean that both apple and pear sectors continue to grow in value terms. The multiple grocers dominate supply at the expense of greengrocers and independent outlets.

The UK apple and pear market continues to be competitive. The key competitors to the U.S., including the domestic trade association, all utilize promotional techniques to support their varieties at key points through the marketing year.

With world production forecast to increase through to CY 2005, competition in the UK market is likely to increase. Domestic suppliers will undoubtedly lose out as the UK sees a continuation of the long term downwards trend in planted area of both apples and pears. U.S. apples have fared well over recent years, with red apples commanding a price premium in the market, but continued PR activity will be necessary to maintain market share as competition increases.

The UK marketing year runs from July 1 through June 30.

The exchange rate used to convert British Pound Sterling (BPS) to US dollars is 1 BPS = US $1.46 throughout.

SECTION I. SITUATION AND OUTLOOK

Production

Apples

Small fruit size for some varieties is the only negative point in what appears to be a good crop year for UK apple producers. Growing conditions improved significantly compared to those experienced by the MY 2000 crop. Reasonable sunlight and rain, with no early season frosts, proved a contrast to 2000's dull and wet conditions. However, a late start to the growing season limited the supplies of UK apples at the start of the marketing year. Volumes did not increase until early September and crop progress for all varieties was up to two weeks behind last season, depending on area of production. Enthusiasm among producers about crop quality and skin finish offset any concerns about the late start to the marketing year.

Bramley apples dominate production of culinary apples in the UK, accounting for approximately 95 percent of supplies. The key varieties of dessert apples in commercial production, in declining order of harvested production, are Cox, Gala, Jonagold, Egremont Russet, Discovery, Worcester Pearmain and Fiesta. Collectively, they account for 85-90 percent of supplies. South East England has traditionally been the key producer of tree fruit in the UK. Approximately 60 percent of the UK's apples are produced in this region alone. Other supplies are sourced from the counties of Cambridgeshire, Suffolk and Worcestershire, making East Anglia and the West Midlands the two other key production areas for apples. Outside these areas, apple production is minimal, with the wet climate of the west and the colder temperatures of the north proving effective barriers to commercial production.

There has been a long term decline in apple and pear production, as marginal producers have left the business. The area of trees in commercial production is again forecast to fall in MY 2001. Reports suggest that this is likely to continue, with some speculation that the number of UK apple and pear growers will halve by CY 2005. Key drivers of this downward trend include increased competition from world production (forecast to increase by 22 percent in the next 5 years) and UK retailers, who seem set to continue their commitment to "Every Day Low Pricing." The current decline in plantings of new orchards will also have a significant effect on industry output over the next 5-10 years.

Harvested Production by Variety (1,000 MT)

Variety	MY 1997	MY 1998	MY 1999	MY 2000
Dessert apples:				
Cox	42.9	63.3	76.8	46.1
Worcester Pearmain	3.0	3.7	3.7	3.6
Discovery	2.1	6.2	6.9	4.6
Early Season	2.4	2.9	2.9	1.2
Mid Season Desserts	3.6	9.3	8.3	8.5
Late Season Desserts	17.0	30.4	36.8	35.5
Total Dessert Apple	71.0	115.8	135.4	99.5

Culinary apples:				
Bramleys Seedling	63.2	83.2	70.4	60.3
Other Culinary	2.5	3.5	3.1	2.3
Total Culinary Apples	65.7	86.7	73.5	62.7
Total Apples	136.7	202.5	208.9	162.2

Source: Department for Environment, Food and Rural Affairs (DEFRA)

Planted Area by Variety (Acres)

Variety	MY 1997	MY 1998	MY 1999	MY 2000
Dessert apples:				
Cox	12,424	10,799	10,754	10,344
Worcester Pearmain	726	709	687	699
Discovery	1,490	1,312	1,307	1,196
Early Season	657	642	591	612
Mid Season Desserts	1,263	1,470	1,346	1,433
Late Season Desserts	3,889	4,092	4,332	4,648
Total Desserts	20,449	19,914	19,017	18,932
Culinary Apples				
Bramleys Seedling	12,234	8,174	8,036	8,799
Other Culinary	605	675	578	576
Total Culinary	12,740	8,849	8,614	9,375
Total Crop Area	33,289	28,763	27,631	28,307

Source: DEFRA

Pears

In terms of quality, the current UK pear crop is anticipated to be the best crop for a number of years and producer confidence has been enhanced by reports of reduced yields amongst European competitors. According to trade sources, pear production is expected to be reduced by 60 percent in the Netherlands, 50 percent in Spain and Belgium and 12 percent in France.

The key variety in the UK is Conference and shape and skin finish are reported as good this year. Size is a little disappointing on some farms and has been attributed to the dry summer and heavy set. Comice is the secondary pear variety in the UK and quality is good. Crops are expected to be light this year, with total domestic production for MY 2001 forecast to fall 16 percent to 28,500 MT.

As with apples, the key production area for the UK pear industry is the South East of England, with the remainder produced mainly in East Anglia and the West Midlands.

Harvested Production by Variety (1,000 MT)

Variety	MY 1997	MY 1998	MY 1999	MY 2000
Conference	22.5	25.5	15.8	29.6
Comice	1.1	2.2	1.2	3.3
Others	0.8	1.0	1.1	1.1
Total Pears	24.4	28.7	18.1	34.0

Source: DEFRA

Planted Area by Variety (Acres)

Variety	MY 1997	MY 1998	MY 1999	MY 2000
Comice	927	694	660	699
Concorde	427	536	413	390
Conference	4,866	4,418	4,507	4,602
Williams	222	126	124	97
Other Pears	44	42	42	30
Total Pears	6,486	6,086	5,746	5,818

Source: DEFRA

Consumption

Apples

The ever increasing availability of alternative and exotic fruits provides a challenge to the established fruits, and some fruit varieties have taken on a commodity status. However, the demand for apples remains strong. Market research company Mintel estimated the value of the total retail fruit market at approximately US$ 4.5 billion in CY 2000. Apples account for 20 percent of this market, lagging marginally behind the sector leader, bananas (21 percent of UK retail sales of fresh fruit). UK Government statistics on household consumption of food showed an 11 percent increase in fresh fruit consumption from CY 1995 through CY 2000. Year on year fresh fruit consumption increased by 5 percent in CY 2000 alone. Fresh apples outperformed the fresh fruit sector in MY 2000. Per capita consumption in the home increased by 6.5 percent to 9.4 kg per annum.

Innovations in varieties and packaging have helped maintain apple market share in the competitive fruit sector. Overseas supplies ensure all year round availability and enable the market to meet consumer demand for apples. Improvements in storage of the domestic crop and continued import volumes mean that consumers have a wide choice when buying apples. Some market analysts have gone as far as to argue that the UK consumer is no longer aware of British fruit seasons, although the harvest of UK produce does have a significant impact on UK retail prices.

Apples have high market penetration, with 80 percent of adults purchasing apples on a regular basis. The health benefits of consuming fruit are generally well known, but are neglected by some, particularly young and low income consumers. The UK Government is developing the National Fruit Scheme to convey the health benefits and to combat competition from other foodstuffs. This initiative aims to provide one piece of fruit every day to each child in nursery and infant schools by CY 2004. Also, revised government regulation of school meal caterers aims to increase the healthy options available at school mealtimes, which will include increased provision of fruit in all schools.

Distribution of all fresh fruit and vegetables is dominated by the multiple retailers, as illustrated by the table below. The multiple sector has long dominated grocery shopping, and the sector continued to gain market share rapidly through the 1980s and 1990s. However, in many product areas, there has been a slow down in the rate of multiple sector growth in recent years as sales reached their natural peak.

UK retail sales of fresh fruit and vegetables by outlet type

Outlet	Market Share by Value (percent)	
	CY 1999	CY 2000
Multiple Retailers	78	83
Greengrocers/independents	14	11
Market Stalls	4	3
Other (farm shops/snack bars/box schemes, etc)	4	3

By contrast, multiple growth in the fruit and vegetable sector is still significant. This is mainly due to innovations in the sector which have been retailer led, and allowed continued growth. In multiples, prepack produce dominates the shelves, compared to other outlets, where fresh produce is traditionally sold loose. Prepacks provide added value; they imply consistency of quality, flavor and appearance to the consumer who is willing to pay a premium for such assurances. Multiples have introduced specialist packs, such as those tailored to children’s school lunch boxes, containing five small apples - one for each school day. Additionally, multiple grocers have the buying power to ensure that they have supplies of premium varieties and top quality produce, both of which attract price premiums.

UK multiple grocers have applied these techniques to apples. Although loose apples are still evident on supermarket shelves, prepack apples sales have grown significantly in recent years. Most new product development in the sector has focused on developing multipacks where all apples are of a uniform size, sweetness and quality.

Apple consumption remains relatively stable when compared to the continued increased demand for organic foodstuffs in the UK. The Soil Association estimated organic apple production for the 1998 crop year at 1,000 MT; just 0.5 percent of the total harvested production in MY 1998. At the farmgate, the organic crop commanded a significant price premium, with the average price per tonne more than double the average price received for conventional apple crops. However, few UK apple producers are currently achieving organic status. The majority of organic apples are imported. This reliance on imports for organic apple supplies is likely to exist for the long term. Crop rotation is fundamental to sustainable organic production systems, but rotation is just not possible with perennial apple trees. Nevertheless, the organic produce sector is booming and presents retailers the opportunity to sell a product with strong demand at a premium price.

Pears

The UK pear market is worth an estimated US$ 225 million at retail values, according to the latest Mintel data. Per capita consumption is estimated at 2 kg per annum. Similar to the characteristics of the apple market, the bulk of pears are sold through multiple retailers. The value of the sector has increased with the introduction of innovative packing variants, which add value to the existing product range.

Trade

Apples

The U.S. is the fourth largest exporter of apples to the UK, and accounted for approximately 6 percent of imports in MY 2000, with 29,182 MT shipped to the UK. This was a return to the MY 1996 level of imports following the high of CY 1998 when imports of U.S. apples totaled 37,873 MT. The 1998 season coincided with a BSE scare in Europe. French consumers, in particular, stopped purchasing beef from the UK. In retaliation, UK consumers reduced purchases of French apples in the short term, and looked to other varieties instead. This had a positive impact on volumes of U.S. apples retailed in the UK. However, France continues to be the dominant supplier to the UK, with volumes in MY 2000 showing a 22 percent increase on MY 1999 levels. The below average production of the UK apple crop in MY 2000 explains the growth in import volumes of French apples, with retailers and wholesalers turning to European growers to compensate for any market shortfalls.

In the 2000 U.S. apple crop, there were few small apples. As has already been noted, UK retailers use smaller fruit in special packs aimed at the children's school lunch box market. Effectively, this segment of the market was out of reach of U.S. suppliers last year. A more even size distribution amongst the current crop should make this segment a realistic target once more.

South Africa and New Zealand are the other 2 key suppliers to the UK market. Imports from New Zealand totaled almost 72,000 MT in MY 2000. This was a decrease on MY 1999 import levels, when import volumes from New Zealand showed 140 percent year on year growth. Volumes of South African apples arriving in the UK fell marginally in MY 2000, to 81,320 MT.

Ireland continues to be the UK's largest market for apple exports, accounting for just over 70 percent of the 13,373 MT sold overseas in MY 2000.

Pears

The UK pear market is dominated by imports. The Netherlands is a major supplier to the UK pear market, and last year accounted for 40 percent of total pear imports. South Africa, Belgium and Italy accounted for a further 41 percent of UK imports. However, in the current crop year, trade reports suggest the Netherlands had a disastrous start to its season. This has created an opening for other suppliers, with reports that Italy and France are preparing to fill any shortfall in Dutch supplies to the UK pear market.

Pear exports from the UK increased 45 percent in MY 2000. With MY 2000 production showing a significant increase over MY 1999 production, the UK was able to marginally reduce its trade deficit in pears. Export volumes to the Netherlands, Belgium and France all increased at least threefold. This was from a low base and in MY 2000 the UK exported just 3,280 MT compared to imports of 114,847 MT.

Policy

Tariffs

The UK, in line with other EU countries, has its import duty established under the EU Harmonized Tariff Schedule. To calculate import duties for most fruit and vegetables, including apples and pears, the Entry Price System is used. The Tariff indicates a scale of entry prices per 100 Kg net. At the highest point on the scale the Tariff indicates an ad valorem rate of duty only. As you proceed down the scale specific charges are introduced. Thus the lowest entry price generates the highest specific charge in addition to the ad valorem duty.

Non-Tariff Barriers

Quality, Safety & Health Regulations

The UK, in line with other EU member states, conforms to the EU Quality Standards on all fresh produce for which standards have been applied. The standards provide a degree of consumer protection for a sector where most products are highly perishable and serious defects in the product can develop extremely rapidly. Moreover, they help build consumer and trade confidence in the quality of produce they buy. The purpose of the standard is to define the quality requirements for fresh apples and pears after preparation and packaging. Each EU standard prescribes minimum marketing requirements, in terms of quality, size, tolerances, presentation and marking. There are three quality classes: Extra Class, Class I, and Class II. EU/UK Miscellaneous Additives legislation permit the use of Beeswax White, Beeswax Yellow and Shellac, as glazing agents/waxes on apples & pears. In addition to compliance with EU/UK Quality Standards and Food Additives legislation, all fresh deciduous fruit is subject to the EU/UK Pesticides (Maximum Residue Levels in Food) regulations.

Import Requirements

In line with other EU member states, the UK conforms to EC Commission Regulation 2251/92 - Third Country Quality Inspection Services for Fruits and Vegetables. Under the terms of this regulation, all shipments coming from third countries that do not have a certified quality inspection service are subject to inspection at EU ports of entry. Sporadic quality inspections have been in effect in several EU members states, in particular the UK, for some time. Under the terms of the EC Plant Health Directive 77/93, third country apple and pear shipments to the EU must have phytosanitary certification.

Marketing

The majority of the UK dessert apple crop is marketed in the fall. Supplies will be released onto the market as soon as harvesting begins, which can be as early as July for some varieties, although only in small quantities. August sees marketings of Discovery and Worcester Pearmain with the majority of these crops sold in August and September. Mid and late season varieties take over from October through December. Limited storage capacity and the fact that the domestic dessert apple crop is largely unsuited to storage means that growers are left with little option but to market at this time.

The UK crop is obviously competing with apples from the rest of Europe in the fall, and southern hemisphere supplies are usually still available in volume. It is during this most competitive time of the marketing year when U.S. crops first become available and associated promotional activity is used to notify consumers about the availability of U.S. varieties. U.S. fruit is currently perceived as a supplier of quality produce by the consumer. Also, the range and quality of red and red bi-color apples produced in the North American climate is a unique selling point. Therefore, U.S. apples can command a premium over produce of domestic and European origin as the following table illustrates.

Selected Prices by Variety - Imports v Domestic Supplies

Country	**Variety**	**Price (pence per KG)**				
		1997	1998	1999	2000	2001
UK	Discovery	13	13	10	24	35
France	Golden Delicious	61	47	50	49	44
South Africa	Granny Smith	76	56	39	88	56
USA	Red Delicious	65	64	43	67	64

Source: UK Fresh Produce Journal, prices quoted on 8/14/97, 8/15/98, 8/13/99, 9/1/00 and 8/24/01

Through the winter period (January - March), local supplies are reduced and this is typically when U.S. apples have their best opportunity in the UK consumer market. During the Spring and early summer, local supplies are only available in very limited volumes and retailers and wholesalers look to the southern hemisphere for apple imports.

Domestic supplies of culinary apples are available throughout the marketing year. They are more suited to storage and appearance/skin finish are less important in the buying decision. Culinary apples are also used by the processing trade in products such as baked goods, apple sauce, yogurt and juices. This year, processing prices are particularly low, which may shape future production volumes of culinary apples.

The domestic pear crop is marketed from September onwards, again when competition is strong. However, U.S. pear exports to the UK are relatively small due to the extent of EU competition and the perishable nature of the product. Most of U.S. pears enter the UK to supply the specialty variety market where competition is limited and, once more, U.S. produce is able to gain a premium price. In the future, there is potential for the U.S. to supply organic pears to the UK as demand for organic produce continues to increase.

Similar to most horticultural products, consumer advertising is a little used promotional medium for apples and pears. There is some trade advertising, which tends to promote specific varieties to wholesalers and greengrocers. With many relatively small suppliers and several major multiple grocers, the opportunity and incentive to advertise to consumers is limited. In many instances, grower group representatives coordinate generic consumer promotional activity, which focuses on in-store activity and media coverage. Indeed, point of sale promotion in multiple retailers is central to UK apple promotion to the consumer. PR activity has the goal of achieving extensive publicity in trade and consumer media. For example, the PR campaign for Bramley apples is a year long initiative, and is funded by growers and EU grants. The grower organization, English Apples and Pears, used point of sale material to promote apples in its MY 2000 year campaign, at a cost of US $750,000.

In August 2001, The European Union adopted nine action programs across eight Member States, including the UK, to promote the consumption of apples and citrus fruits. The total cost of the European wide promotion is US$ 7.7m (8.31 million Euro), 60 percent of which is being funded by the EU. In the UK, the grower organization English Apple and Pears will use the UK share of the funding to finance their promotional activities. Details about the money available and how this funding will be utilized are not currently available in the public domain.

On-pack promotion is another marketing tool which is now being applied to apples, and the fruit and vegetable sector in general. Instant win shopping weekends were offered in a recent Washington Reds apple promotion, which featured special promotional labels on four packs.

The development of multipack apples has facilitated the use of price cutting, discounting and special offers in some retailers and the practice is now commonplace. This is particularly true during production peaks, when retailers will use attractive pricing policies to maintain sales volume. Such promotional techniques encourage consumers to switch brands/varieties but do little to encourage overall sector growth.

All of our competitors (France, South Africa, New Zealand and Australia) use some form of promotional tool when marketing apples in the UK, whether it be trade advertising campaigns, in-store demonstrations, point of sale material or on-pack promotions. In the pear market, similar techniques are again employed by the U.S.' key competitors (South Africa, the Netherlands, Italy) in normal marketing years. Market Access Program (MAP) funding allows the U.S. apple industry to carry out advertising and promotional activities in the UK. Continued consumer awareness of U.S. apples ultimately results in continued demand for U.S. apples in what is an increasingly competitive market place.

SECTION II. STATISTICAL TABLES

PS & D Tables

Apples

Country	United Kingdom					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Planted	11182	11182	11150	11450	0	10500
Area Harvested	11182	11182	11150	11450	0	10500
Bearing Trees	11560	11560	11150	11450	0	10500
Non-Bearing Trees	400	400	400	400	0	400
Total Trees	11960	11960	11550	11850	0	10900
Commercial Production	208900	208900	184000	162200	0	178500
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	208900	208900	184000	162200	0	178500
TOTAL Imports	460000	460000	468000	455850	0	460000
TOTAL SUPPLY	668900	668900	652000	618050	0	638500
Domestic Fresh Consump	615000	615000	614000	582450	0	598500
Exports, Fresh Only	17000	17000	16000	13400	0	15000
For Processing	30041	30041	22000	22000	0	25000
Withdrawal From Market	6859	6859	0	200	0	0
TOTAL UTILIZATION	668900	668900	652000	618050	0	638500

Pears

Country	United Kingdom					
Commodity	Fresh Pears				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001

Area Planted	2325	2325	2325	2355	0	2200
Area Harvested	2325	2325	2325	2355	0	2200
Bearing Trees	1933	1933	1933	1933	0	1800
Non-Bearing Trees	54	54	54	54	0	0
Total Trees	1987	1987	1987	1987	0	1800
Commercial Production	18052	18052	26000	34031	0	28500
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	18052	18052	26000	34031	0	28500
TOTAL Imports	133000	133000	130000	119624	0	125000
TOTAL SUPPLY	151052	151052	156000	153655	0	153500
Domestic Fresh Consump	148052	148052	152500	149875	0	150000
Exports, Fresh Only	2500	2500	3000	3280	0	3000
For Processing	400	400	400	400	0	400
Withdrawal From Market	100	100	100	100	0	100
TOTAL UTILIZATION	151052	151052	156000	153655	0	153500

Trade Matrices

Apples

Country	United Kingdom		
Commodity	Fresh Apples		
Time period	Marketing Yr	Units:	MT
Imports for:	1999		2000
U.S.	27957	U.S.	29182

Others		Others	
France	145072	France	176369
New Zealand	90738	South Africa	81320
South Africa	82046	New Zealand	71676
Chile	18708	Chile	24225
Italy	19890	Italy	22183
Netherlands	16540	Netherlands	18198
Brazil	10883	Canada	5999
Canada	9928	Brazil	4478
Germany	9775	China	4561
Belgium	5182	Belgium	4142
Total for Others	408762		413151
Others not Listed	10814		13533
Grand Total	447533		455866

Country	United Kingdom		
Commodity	Fresh Apples		
Time period	Marketing Yr	Units:	MT
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Ireland	10932	Ireland	9625
Germany	1625	Germany	1330

Belgium	817	Belgium	1135
Netherlands	605	Netherlands	795
South Africa	504	France	240
Spain	289	Sweden	154
Greece	169	Spain	27
Italy	141	Italy	23
France	86	Hungary	20
Falkland Islands	13	U.A.E.	13
Total for Others	15181		13362
Others not Listed	57		11
Grand Total	15238		13373

Pears

Country	United Kingdom		
Commodity	Fresh Pears		
Time period	Marketing Yr	Units:	MT
Imports for:	1999		2000
U.S.	550	U.S.	402
Others		Others	

Netherlands	48036	Netherlands	46506
South Africa	24211	South Africa	21864
Belgium	13283	Belgium	14576
Italy	9844	Italy	11293
France	6790	Portugal	7114
Portugal	5458	Spain	4056
Spain	2899	France	3347
New Zealand	2260	China	1645
Chile	1489	New Zealand	1147
Argentina	1478	Argentina	937
Total for Others	115748		112485
Others not Listed	3326		1960
Grand Total	119624		114847

Country	United Kingdom		
Commodity	Fresh Pears		
Time period	Marketing Yr	Units:	MT
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Ireland	1980	Ireland	2258
Netherlands	102	Netherlands	428
Greece	90	Belgium	271

Belgium	45	Germany	141
France	34	France	118
Germany	2	Austria	54
Hong Kong	3	Italy	3
Spain	1	Sweden	3
		Sierra Leone	2
		Spain	2
Total for Others	2257		3280
Others not Listed	0		0
Grand Total	2257		3280